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OVERSIGHT OF FCC BUDGET AND MANAGEMENT

WEDNESDAY, SEPTEMBER 17, 2014

House of Representatives,
Subcommittee on Communications
and Technology,
Committee on Energy and Commerce,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:20 a.m., in Room 2123, Rayburn House Office Building, Hon. Greg Walden [chairman of the subcommittee] presiding.

Present: Representatives Walden, Latta, Shimkus, Terry, Blackburn, Lance, Guthrie, Kinzinger, Long, Eshoo, Braley, and Waxman (ex officio).

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Staff Present: Ray Baum, Senior Policy Advisor/Director of Coalitions; Sean Bonyun, Communications Director; Leighton Brown, Press Assistant; Andy Duberstein, Deputy Press Secretary; Graham Dufault, Policy Coordinator, CMT; Gene Fullano, Detailee, Telecom; Kelsey Guyselman, Counsel, Telecom; Grace Koh, Counsel Telecom; Tim Pataki, Professional Staff Member; David Redl, Counsel, Telecom; Charlotte Savercool, Legislative Clerk; Shawn Chang, Minority Chief Counsel for Communications and Technology Subcommittee; Margaret McCarthy, Minority Professional Staff Member; Ryan Skukowski, Minority Policy Analyst and Patrick Donovan, Minority FCC Detailee.

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Mr. Walden. We will call to order the subcommittee on Communications and Technology for our hearing on the oversight of the FCC budget and management.

Today we continue the committee's efforts to reform the FCC's process. For the past two Congresses the House has passed the Federal Communications Commission Process Reform Act. The FCC Process Reform Act is bipartisan legislation that passed the House on March 11 of this year and would bring needed reforms to the commission's processes to guarantee the transparency and accountability that is the hallmark of effective and legitimate government.

Unfortunately, like so many really, really good pieces of bipartisan legislation, H.R. 3675 remains stuck and stalled in the Senate, without so much as a hearing to consider this much-needed legislation. While the FCC process reform continues to wait for the Senate the Energy and Commerce Committee has kept our foot on the accelerator and continued with our oversight efforts of the Federal Communications Commission processes.

In this time of transformative technological innovation and unprecedented private investment in communication sector of our economy, we have to ensure that the FCC does remain vigilant in executing the duties prescribed by the Congress, operates within the

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bounds of the law, and does these things transparently, effectively, and efficiently. The American people deserve no less.

When we last convened to discuss the oversight and FCC process reform, we met with Chairman Wheeler amid reports of fraud processes undermining the Commission's decision-making. We voiced our concerns regarding reports of the chairman's office withholding decision documents for other members of the commission until the eleventh hour and decisions by the chairman's office used the delegated authority of the bureaus to circumvent debate and vote by the full Commission.

While I am a firm believer that the buck stops with the chairman, the FCC is a complex organization with a myriad of levels of bureaucracy. So today we will take a closer look at the FCC below the commissioner suites of the eighth floor.

Now, since our last hearing the subcommittee has examined additional aspects of the FCC's operation, including management of backlog and current workload, staffing, its budget and operating expenses, as well as other related issues through inquiries and information requests to the agency.

The FCC's responses to our questions, reports, submitted by the Inspector General and reports in the media, raised some concerns, are pretty serious as to whether the FCC's house is actually in order. In contrary to Chairman Wheeler's oft touted remedy, the solution to the

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Commission's woes is not simply to throw more money at the problem, but to use the money available to the Commission more effectively.

Nowhere is this more evident than in the FCC's IT expenditures. According to the FCC's responses to our data requests, it spent more than \$352 million in the last 5 years on IT. Now, how much of that money was wasted on the FCC's disastrous revamp of its Web site? How much is now being spent to quote unquote "fix the Web site" that then FCC's CIO Steve VanRoekel said would pay for itself in just 9 months? And how much was spent on the Commission's public efforts to consolidate aging licensing systems only to have the project simply disappear; years of work apparently abandoned.

Duplicative spending also seems to be a challenge for the Commission. While I applaud the FCC's efforts to reviews waste, fraud and abuse in Universal Service Fund it appears from Mr. Hunt's testimony that the Commission now has two teams doing substantially similar work. I should note that Mr. Hunt's raising of this issue is itself a profile in courage, as, unlike many other Inspectors General within the U.S. Government, the chairman can recommend his removal. So he is in a unique position, but we appreciate your thoughtful testimony.

The FCC has big challenges to address and hopefully today's hearing will put some light on those efforts. This morning, we will

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hear from Mr. Jon Wilkins, who is the FCC's managing director, whose office is responsible for the administration and management of the Commission, including such things as the Commission's budget and financial programs, human resources, and communications and computer services.

He is joined by David L. Hunt, the FCC's Inspector General's office provides investigations, audits, and reviews of the FCC's programs and operations. It is my hope that their responses to our questions will provide us with a better understanding of the FCC's challenges and how the FCC plans to return to the fundamentals of strong management and fiscal prudence.

With that I yield the balance of my time to the Vice Chair of the committee, Mr. Latta.

[The prepared statement of Mr. Walden follows:]

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Mr. Latta. I thank the chairman for yielding and I appreciate you holding this hearing today and I thank our witnesses for being with us today.

Oversight of the FCC serves as a critical function in maintaining efficiency, transparency, and accountability to the agency. Given the FCC's integral role in the information and communications technology marketplace, and the growing online ecosystem, we have a responsibility to ensure that the processes and procedures that the FCC are not wasteful and reflect the capability that handles such significant parts of our Nations economy.

To that end, today's hearing represents a valuable opportunity to gather additional information about the FCC's budget, management, and spending practices and better understand challenges confronting the agency, its work, and other potential issues limiting the efficiency of its operations.

I look forward to the testimony of our witnesses, Mr. Chairman.

With that I yield back.

[The prepared statement of Mr. Latta follows:]

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Mr. Walden. The gentleman yields back.

I now turn to my friend and colleague from California, Ms. Eshoo for an opening statement.

Ms. Eshoo. Thank you, Mr. Chairman, for holding this hearing, and good morning to our witnesses and welcome.

Connecting America, protecting and empowering consumers, and promoting competition, these are among the strategic goals outlined by the FCC in its fiscal year 2015 budget request.

Now, to achieve these goals, the FCC has to be equipped with the necessary resources to effectively carry out its mission, including sufficient staffing, a modern IT system, which we will talk about, and improved collection of consumer complaint information so that the agency and its people really better understand the communication challenges facing the American people; not just the interests that come in the door, but what the American people are saying.

And very recently, what the American people were saying, there were so many of these saying it that the system crashed. So I don't think in my view that we were very well prepared for that.

Now, the office of the Inspector General, I have a great deal of regard, a deep regard for IGs across our government because they play really a critical role in upholding the integrity of an agency. And

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so that the American public knows, you are the ones that are there for them to guard against any kind of abuse, any kind of fraud, any kind of waste and I think that we are all cognizant of that, and that we have a regard for it, and the independence of IGs is very important.

I have never understood why the system is the way it is because it establishes huge tensions immediately. I learned this when I was almost a 10-year member of the House Intelligence Committee. You know, the intelligence community didn't want IGs to do a damn thing, you know, and but the head of the agency was the one that was calling the shots. I mean, go figure.

So but that is the way it is set up. I don't think it is the best way. But for decades, the audits and the investigations conducted by the IG's office have, I think, complemented the FCC's work.

Now, in recent years, it has included the implementation of important programmatic reforms to strengthen and modernize the agency, but despite the dramatic increase in scope and breadth of issues being considered by the FCC over the past 30 years, today's FCC has 200 fewer employees than it did in 1984.

So we are charging the agency with executing the world's most complex spectrum auction, evaluating two major, major mergers, and preparing for the IP transition. This all requires significant staff time and resources. And the agency funds the IG. And the IG has a

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considerable team of people in the agency sourced through their HR department; I think 39 or 40 employees, I have like 12 in two offices. So you have a lot of people.

And so I think today what I would like to know, and I hope that there are not personality conflicts in this. That is the mark of humanity. I really want to examine what you think you are not able to do that you should be doing. I don't believe that we need criminal investigators relative to the E-Rate going into classrooms and libraries. I think that is the equivalent of having all of these Army tanks going into local PD's, they all don't need that.

I hope today that when the IG leaves, that he and his team will have a clear understanding from Members of Congress of what we want, we think is important that you keep your eye on in terms of investigation and all of that.

So with that, Mr. Chairman, thank you for holding this hearing.

It is always important for us to review the efficiency and the effectiveness of an agency and I think that is what today's hearing is about.

Thank you, and I yield back.

Mr. Walden. Thank the gentlelady.

[The prepared statement of Ms. Eshoo follows:]

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Mr. Walden. I now turn to the vice chair of the full committee, Ms. Blackburn from Tennessee, for 5 minutes.

Mrs. Blackburn. Thank you, Mr. Chairman.

And I thank you for your focus that you have put on FCC reform and the importance of that, especially as we look at being a knowledge economy, as we look at interactive technologies and the impacts that they have on every single sector of our economy.

As we do the oversight and look at process and look at reforms with you all, we are interested to hear what you have to say and the chairman said that well in his opening statement, and looking at what is happening throughout the bureaucracy of the FCC.

One of the things that we will be looking for is how close are you to your core competencies and your core mission in delivering service to the American people? Where are you into areas where you should not be and what type of resources are you expending on those areas? The bureaucracy, and how that has grown, has changed, what has happened with that process? And we do this in the light as we seek to rid the agency of duplication. And by the way, the Inspector General's office and the FCC strike force, that might be one of those areas of duplication where resources would be better used.

We do this realizing that we have a responsibility to the

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taxpayer. Hard-working taxpayers send their money to Washington, D.C. Many taxpayers struggle to live within their means and pay taxes to the Federal Government for a government that refuses to live within its means. We are still borrowing \$0.36 of every dollar we spend.

So due diligence and making certain that the bureaucracy, via the use of technology continue to right size themselves and not duplicate programs, and not waste funds, and not have the attitude of, well, it is Federal money, if we need more, we can print more. Those are things that are important to our constituents, and we appreciate that you are willing to be here and help us answer those questions.

I will be willing to yield time to any Member who would seek it.

Mr. Walden. Anyone on our side want the rest of the time?

Mrs. Blackburn. I yield back to the chairman.

Mr. Walden. Thank the gentlelady for her work on these and other issues.

[The prepared statement of Mrs. Blackburn follows:]

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Mr. Walden. And now we will turn to the gentleman from California, with the bright purple tie, Mr. Waxman, for 5 minutes.

Mr. Waxman. Thank you, Mr. Chairman, you have Californians to the left of you.

Mr. Walden. Usually always that is the case.

Mr. Waxman. And we are pleased to be with you.

Mrs. Blackburn. And Tennesseans to the right.

Mr. Waxman. Far right.

This subcommittee has spent a substantial amount of time focused on the operations and processes of the Federal Communications Commission, and I support oversight of the FCC, which is a small but critical agency charged with overseeing industries that make up nearly 1/5 of our National economy.

What we are learning is that the FCC is making significant progress in improving its operations and eliminating backlogs. Under former Chairman Genachowski and current Chairman Wheeler, the FCC has taken strides to improve transparency and efficiency in decisionmaking. Within the past 6 months alone, the agency has closed over 640 dormant proceedings and doubled the total number of media license applications resolved in all of 2013.

The Commission is also working hard to reduce the number of

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backlog across all of its bureaus and offices. And although contentious issues often grab headlines, the vast majority of decisions made by the chairman and commissioners are bipartisan and unanimous.

Chairman Wheeler came into office at the end of last year and immediately took action to build on the momentum for process reform. On his first day in office, Chairman Wheeler appointed a senior advisor to examine FCC process reform and issue recommendations for agency action.

One of our witnesses today, Mr. Wilkins, will be able to tell us about the progress that is being made to implement those recommendations as well as the barriers preventing the agency from making process improvements. Process reform is moving forward at the same time the FCC is implementing a significant new law and overhauling numerous programs for the broadband era.

Congress has tasked the FCC with conducting the world's first ever incentive spectrum auction. This is a complex task with many competing priorities that will impact competition and innovation for years to come. The FCC has also adopted reforms to all four of the Universal Service Fund programs, most recently in the E-Rate program. These reforms will enhance support for connectivity and capacity to schools and libraries across the Nation.

And an unprecedented number of Americans have filed comments with

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the agency about the proposed open Internet rules. Despite the difficult budget climate, the dedicated and talented public servants at the FCC are ensuring the agency's mission is being fulfilled.

Today we will also hear from the FCC's Office of Inspector General. Inspectors General were created by Congress to protect the integrity of agencies and programs funded with public resources.

And I look forward to learning about the significant accomplishments of the Inspector General in combatting waste, fraud and abuse. I take seriously the concerns that the IG has raised and I want to learn more about them.

Thank you, Mr. Chairman.

And then I yield back the balance of my time.

Mr. Walden. The gentleman yields back the balance of his time.

[The prepared statement of Mr. Waxman follows:]

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Mr. Walden. That concludes our opening statements from the committee members. We thank you all for your participation.

We will go now to our first witness Mr. Jon Wilkins who is the managing director of the Federal Communications Commission. Mr. Wilkins, thank you for being here. Thanks for the work you do. Pull that microphone a little closer, and please go ahead.

STATEMENTS OF JON WILKINS, MANAGING DIRECTOR, FEDERAL COMMUNICATIONS COMMISSION; AND DAVID HUNT, INSPECTOR GENERAL, FEDERAL COMMUNICATIONS COMMISSION.

STATEMENT OF JON WILKINS

Mr. Wilkins. Thank you. Good morning Chairman Walden, Ranking Member Eshoo, members of the subcommittee. My name is Jon Wilkins, and since November --

Mr. Walden. Yeah, you actually have to be pretty close to these. That is better.

Mr. Wilkins. Okay. And since November last year I served as the FCC's managing director.

My testimony today will focus on our management activities, how

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they relate to our budget and especially to our process reform efforts. And I have already submitted my written testimony so I will just focus on a few points and then answer all of your questions.

As managing director, my primary function is to support the efficient and effective management at the FCC. My staff of 208 employees includes areas including budget, IT, HR administration. As several members of the subcommittee have noted, immediately upon coming into office Chairman Wheeler identified process reform as a priority management objective. My staff was heavily involved in developing the recommendations that flowed into the February 14th staff report.

From a management standpoint, process reform fundamentally is about measuring and tracking. When we can measure and track, we actually can simultaneously become more transparent and more efficient and that is the mission that my office has in process reform.

Today we have delivered some early wins of available resources. Just a few examples by the end of this year, we will have a new consumer complaint process online that will be much better; online FOIA, and electronic filing; we are working on improving the Web site; we have also directly supported Commission bureau efforts to close both 1,500 stale dockets, and by our broadest measure of backlog we have reduced that about 29 percent since May.

In addition to the process reform focus, we do do budget IT and

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human capital work commission wide, so just a few points of emphasis. First, the budget is the starting point for all of our management efforts. As I came in and began to develop forward-looking plans for the new chairman's priorities, I pretty quickly did grapple with the reality that the flat funding the Commission has had since 2009, despite the growth in some operational costs, and quite a few new mandates, it really has challenged our ability to maintain current service levels.

Another factor, the impact of sequestration did introduce some real budget uncertainties that made it quite hard recently to be investing in any kind of long-term efficiency. So given that, our 2015 budget request asks for an increase in three areas.

First, we do have some uncontrollable cost increases, rent, utilities, pay increase, retirement plan, and support.

Second, IT modernization, fundamentally, is about trying to improve our IT cost profile as well as better deliver mission objectives, including process reform. We have asked for a total of \$18 million in funds for several IT areas, but primarily for the enterprise modernization. That really will tackle head on the main problem we face in IT, which is our 207 legacy systems, over 40 percent of which are over 10 years old that really are just increasingly expensive for us to maintain and operate.

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And third, Chairman Wheeler made very clear to FCC management that he views USF oversight and enforcement as a top priority. Our 2015 budget request supports that by asking for 45 new FTEs at a cost of \$10.8 million, to be part of an interagency USF oversight task force that actually included several FTEs for the IG's office; and the overall focus is to make sure that we are fully discharging our obligations to oversee universal service as it is going through a number of major changes.

At this point I do just want to address a couple of quick points in the Inspector General's written testimony.

First, Commission management unequivocally respects, values, the independence of the Office of Inspector General. We do not interfere in the Inspector General's mission.

Second, specifically with regard to hiring activities, the Section 1811 criminal investigators. We fully agree the IG has independence to hire whoever their office needs to fulfill their mission, my HR staff does have an obligation to ensure that we are complying with applicable civil service rules, and that is the only constraint that we have.

And third, the Commission really does take seriously our management's oversight obligation of universal service. We have always coordinated with the Inspector General's office. We will do

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more of that in the future and we view it as a really top priority for management to make sure we are fully discharging our obligations over universal service.

So just to conclude, I do have very clear marching orders in my office. Chairman Wheeler has directed me to improve our management practices to take all steps possible to implement process reform. We are fully funded by regulatory fees and so we are very mindful of making every dollar count.

And look forward to taking your questions, so thank you.

Mr. Walden. Mr. Wilkins, thank you very much.

[The prepared statement of Mr. Wilkins follows:]

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Mr. Walden. We will now go to Mr. David L. Hunt, who is the Inspector General for the Federal Communications Commission. Thanks for the good independent work you do.

Mr. Hunt, we look forward to your testimony.

STATEMENT OF DAVID HUNT

Mr. Hunt. Okay, thank you, Mr. Chairman.

Thank you, again, Chairman Walden, and Ranking Member Eshoo, and members of the subcommittee.

Good morning. I appreciate the opportunity to come before you today to discuss issues pertaining to the management, operations, and budget of the Federal Communications Commission. I would like to take this opportunity to thank the committee for its continued support of our efforts which has consistently been demonstrated by the approval of our budget.

My testimony today will discuss our oversight and investigative activities related to the FCC's major program areas. I will then discuss several areas of management and budget, and our oversight of these areas that mirror the tension and will conclude with a discussion of the challenges we face in providing efficient and effective

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oversight of the Commission.

Our annual audits of the FCC's financial statements have resulted in clean audit opinions for the past several years, and management has made improvements to the financial management of the FCC. However, our audits of the FCC's financial statements and information security have disclosed findings and resulted in a recommendation for improvement to management, many of which are duplicated every year.

Lastly, we have concluded -- conducted more audits of FCC's internal processes and procedures. These audits have disclosed generally acceptable results, but several bring to light serious deficiencies in FCC's practices. For example, we will soon issue a report on an audit of the FCC's management of civil monetary penalties that disclose that the FCC has not collected all of the penalties and the fines it could have, and uncollected penalties have been carried on the agency's books for years, a few even for decades.

However, this internal focus has not caused any detriment to the oversight of FCC's programs, such universal service and the telecommunications Relay Service Fund because increased efficiencies within OIG and support from other Federal agencies.

OIG annually submits statements summarizing our assessment of the most serious management challenges facing the FCC. OIG is currently developing the fiscal year 2014 statement and we anticipate the areas

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of challenge to be similar to fiscal year 2013. In fiscal 2013 we noted the challenges continue to exist in the USF program, the TRS fund, and overall innovation at the FCC.

In the past 2 years, our investigatory staff has achieved impressive results securing numerous settlements and criminal convictions, thus protecting the integrity and quality of the programs the FCC oversees and generating hundreds of millions of dollars in savings in recovering for the past several years.

The results of the investigative team's work are even more impressive in light of the fact that my efforts to expand the capability of this team by hiring criminal investigators has not been allowed. I will return to that topic momentarily, but I would first like to discuss some of my investigative team's accomplishments.

Since I last appeared before you we have secured our very first indictments and guilty pleas in a low-income program to Universal Service Fund. This was an issue mentioned to me last time when I appeared before the committee. We have also obtained additional convictions related to fraud in provision of Video Relay Service, a program we have focused on for years, frankly, with remarkable results.

We are working alongside the FBI, DOJ, Department of Interior, Department of Education, in numerous criminal cases involving all of USF programs, but as these matters are ongoing, I cannot discuss too

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many in public at this time.

On the civil side, the OIG investigation's team is continuing its oversight of the E-Rate and other USF programs as well as Commission spectrum auctions to identify individuals and companies who may be engaged in activities to defraud these programs. In this regard we have initiated cases based on information developed in the first instance within the OIG as well as being assisted by the Department of Justice in numerous qui tam cases under the Federal False Claims Act.

Lastly, in addition to our programmatic work, OIG has a team of investigators that deals with allegations involving Commission internal operations. Our efforts have led to discipline including the dismissal or retirement of a number of Commission employees.

Over the years that I have been the IG, I have had generally a very good working relationship with agency management. However, there are several areas that still give me great concern. I have been trying for over 2 years to hire criminal investigators to continue to expand my ability to conduct criminal investigations and raised the issue with Chairman Wheeler. Management has so far refused to support these hires and precluded my ability to staff my office in the way that I see fit. I have already been informed that there is no support in OIG to hire criminal investigators. I continue a dialogue with OIG management,

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but to no avail.

In addition, FCC human resources have for several years retained the right to approve every OIG hire. My deputy IG, or assistant IG for management must email the chief of HR and ask permission for each hire, be it an auditor or attorney or even for administrative support. We have asked many times why this is necessary, and for this practice to end, but received neither an explanation, nor relief from this restriction.

The IG Act states that each Inspector General is authorized to select, appoint and employ such office's employees as may be necessary for carrying out the functions, powers, and duties of the office. This statement is clear and unambiguous and authorizes IGs to make personnel determinations necessary for carrying out IG offices' responsibilities.

While in truth, with the exception of my request for criminal investigators, I have never been denied a hire, nonetheless management's involvement in OIG personnel matters appears to be a direct contravention of the IG Act.

Further, every time one of my managers has to request permission from an FCC manager to hire someone, I believe our independence is impugned. This ongoing practice gives my office at the very least the appearance of a lack of independence from FCC management.

I would like to address one final area of concern. In July, FCC

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Chairman Wheeler announced the creation of a strike force to combat fraud, waste and abuse in the Universal Service program. Many in Congress, Chairman Walden included, I believe, approved the creation of the task force and I, too, am pleased to see the FCC become active in reducing fraud within USF. However, this action was taken with no coordination from OIG and complications abound.

As my testimony this morning has demonstrated, FCC's OIG in recent years has had unprecedented success. We have been instrumental in effecting significant savings on consumers' telephone bills and significantly helped ferret out fraud from entire FCC programs such as the VRS. It might be best to expend FCC's valuable yet limited resources to both of the IG's office, an entity with a proven track record that has established a track record with DOJ and the FBI, rather than one that is potentially encumbered by policymaking constraints and his mission, as I understand it, is not limited to ascertaining rule violations.

Our concern is that the strike force, which does not independently report to Congress as I do, has a potential for unnecessary overlap in the agency's enforcement and investigatory efforts. That being said, we can all agree that expending additional resources to uncover fraud, waste and abuse may be a positive measure provided that the level of coordination between OIG and the strike force is extensive and

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delineated by each entity's responsibilities.

Because OIG is primarily engaged in law enforcement, all information gathered by the strike force should be provided to the OIG at the earliest possible opportunity. Failure to do so could negatively impact OIG's law enforcement efforts and potentially waste resources.

Thank you for the opportunity to address these important matters with this subcommittee.

I will be happy to answer all of your questions.

Mr. Walden. Mr. Hunt, thank you very much for your enlightening testimony. It sounds like there are some issues there that need to be prosecuted.

[The prepared statement of Mr. Hunt follows:]

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Mr. Walden. I am going to start with a question for Mr. Wilkins regarding the Web site because we have talked a lot about it. And frankly, as an old broadcaster, I found the FCC Web site to be worse than useless. You could never get information out of it you were seeking. You had to hire somebody who could figure it out in a very high rate. I don't know how all of that works, but it is a mess. I am not sure it has gotten any better. But we sure spent a lot of money. I saw that there was like a \$400,000 contract issued for initial work. Is that right? I mean, how --

Mr. Wilkins. Yes.

Mr. Walden. How much do you intend to spend in total on this overhaul? And when do you think it will be up and running? I mean, we have dealt with some other Web sites on this committee unrelated to the FCC. It doesn't seem like the government has got a good track record on this. What can you tell me?

Mr. Wilkins. Okay. So the current plan for the Web site, as I actually mentioned in my oral statement, we do have work underway. We have got it divided into two phases.

First phase has already started under that \$400,000 contract. That work is to fundamentally improve the search function. Which I think, if we have to fix one thing soon, is it that. I mean, the search

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function is how you find information.

Mr. Walden. Yeah, which doesn't work worth a --

Mr. Wilkins. So we are going to improve the search function.

Mr. Walden. Sorry.

Mr. Wilkins. And redesign the user experience to work better.

And we have heard loud and clear that despite some of the previous improvements that were made to the back end systems, to the users that was not working --

Mr. Walden. Worthless.

Mr. Wilkins. So, phase one is to redesign that interface to improve the actual search capability that is live.

And then phase two will be the first half of the next year that will make that a live new version of the Web site.

Mr. Walden. All right. According to the OPM Web site the revising of Intergovernmental Personnel Act, IPA's intended facilitate cooperation between the Federal Government and certain non-Federal entities. For example, State and local governments and institutions of higher education. Basically, this allows the Federal Government to borrow employees as long as the government reimburses the current employer for their costs. Isn't that correct?

Mr. Wilkins. Yes.

Mr. Walden. So now, the FCC has utilized this mechanism as I

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understand it. In response to one of our inquiries it appears that there were two IPAs leading up to 2009. In 2009 that number jumped to 12, and the cost for IPAs starting in 2009, has been approximately \$3 million for like 12 people.

The cost to the agency for some of these folks well exceeds the salary permitted for either traditional GS employees or those Federal employees in Senior Executive Service. For example, we found that the cost for one individual was \$208,345.89 per year. But perhaps the most egregious was an economist we understand the FCC paid \$396,878.68 for 8 months of work. Now, that appears to be an annual salary of nearly \$600,000 for an economist out of the academic world.

Where do these funds come from to pay for the cost? Were any of these individuals from State or local government? And are these counted as FTEs, so that the agency actually has more FTEs than the number that it is reporting?

Mr. Wilkins. Well, today we have three IPAs in place.

Mr. Walden. That is it?

Mr. Wilkins. Three.

Mr. Walden. All right.

Mr. Wilkins. One is for our chief technologist who just came on board very recently. One is for our chief economist, and one is a senior advisor to our rural healthcare task force that we have just

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launched.

Mr. Walden. Right.

Mr. Wilkins. I don't have the exact figures, but the cost for those three is closer to, I think, \$500,000 total for --

Mr. Walden. For all three?

Mr. Wilkins. For three of them in total.

Mr. Walden. All right.

Mr. Wilkins. I think that our approach to those IPAs, we only want to do it where it really is external expertise, cutting edge --

Mr. Walden. Right.

Mr. Wilkins. -- that frankly is hard to bring into the government, especially -- so our chief technologist is a good example. Federal Government can be a great career path, but if you are interested in being on the very cutting end of technology and academic research --

Mr. Walden. Right.

Mr. Wilkins. -- there may be better places in the academic sector, or the private sector. So the idea of the annual or maybe 2-year IPA to bring in that kind of talent we think works and we are trying to make only in the most focused way.

Mr. Walden. Is the IPA process a sole-source contracting? Does somebody in the agency -- does Mr. Wheeler or some other commissioner say I want Mr. Hunt to work for me, as opposed to the contracting process

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where it is more open and transparent?

Mr. Wilkins. Yeah, I mean, there is not a competitive bidding process in the same way. It is more akin to a senior talent recruitment and the IPA is the way that you can --

Mr. Walden. So you go pick somebody, pay them whatever --

Mr. Wilkins. Of course, we want to do that based on very legitimate --

Mr. Walden. One other question. What is the agency's retention policy per emails? Has this has come up in other agencies over time. I believe it is 90 days?

Mr. Wilkins. We, right, so for a user, the user's live email account, and if you are just a user at your desktop, you can go back 90 days. We certainly do have backup that is done by our IT organization and can go back longer as needed.

Mr. Walden. So those are retrievable beyond 90 days back? Because some of the agencies, you know, processes stretch over years.

Mr. Wilkins. Yes.

Mr. Walden. And so we just want to make sure that those emails --

Mr. Wilkins. We have a backup capability that is essentially just limited by the funding that we have for our storage contract. It definitely goes back at least a year.

Mr. Walden. A year.

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Mr. Wilkins. At least a year. Yeah.

Mr. Walden. Do you think it should go back as far as the proceedings are open?

Mr. Wilkins. Well, I think we want to be sure that we are appropriately preserving government records.

Mr. Walden. As required by law.

Mr. Wilkins. Yes, and we, obviously, want to make good efficient use of, you know, the cost to store them and just keep that balance right.

Mr. Walden. And what is the policy for employees that use personal emails for official business, because this has come up elsewhere in the government?

Mr. Wilkins. Oh, obviously, your government FCC email account should only be used for work.

Mr. Walden. No, but the problem is personal accounts are being used by some in the agency to conduct official business, so it is not showing up in the --

Mr. Wilkins. I mean, obviously, if you are using --

Mr. Walden. Do you have a policy on that?

Mr. Wilkins. Yes, if exigencies require you to use your personal email for some reason, you need to make sure that you then retain it and bring it into the appropriate --

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Mr. Walden. Mr. Hunt, is that something that you keep an eye on?

Mr. Hunt. Yes, Congressman. Yes, Mr. Chairman, we do.

And we actually did take a look -- I don't know if you have a question for me about, this vessels first contracts, we did do an inspection, and the FCC has made some changes because we did find issues with the way they were retaining people; that they were not following, you know, FAR requirements to awarding sole-source contracts. The FCC concurred with our inspection report and our recommendations and now they have initiated corrective actions so we have looked at that in the past.

Mr. Walden. All right. That was on sole source. With deference to the committee, can you answer the part about emails to personal? Because we are seeing this in other agencies where government officials, to keep it out of the public record, are using their personal emails.

Mr. Hunt. We do look at, for instance, individuals who are doing business within the FCC, an individual business, and using it for personal emails. The issue is we don't have as much access.

Mr. Walden. I am flipping it around the other way. It is not that some individuals do an occasional email using their official account for personal business.

Mr. Hunt. I am sorry.

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Mr. Walden. On the other way around. Are they offline, in effect, using a personal email account to conduct official business so that it gets around the rules of the --

Mr. Hunt. Oh, I am sorry. I am sorry. No, we don't -- we haven't looked -- we have looked at that thing in the past. We haven't looked at that lately.

The problem is technology. Do we have the technology to look into that? The FCC -- I am sorry, the FCC runs the network. We don't have an independent network of our own to look into issues like that.

Mr. Walden. Yeah. I would just be interested in your formal policy if you could provide it. I know I am way over my time.

Thank you, gentlemen, for the work that you do.

I will turn now to my colleague from California Ms. Eshoo.

Ms. Eshoo. Thank you, Mr. Chairman.

So that means I have 8 minutes, right? No, I am teasing. I know that won't be the case and it doesn't need to be.

Thank you to both of you for your testimony.

What I am interested in is what, actually, you are doing and how you are using your money, both of you.

Mr. Wilkins, relative to being managing director and making sure that you are pushing things through that need to be done in an efficient, effective way.

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Mr. Hunt is saying that there needs to be more and I think that you are extraordinarily focused on criminal investigations.

Now, I have stated before what I have, you know, the critical role that IGs play across the government. Now, I understand that the OIG received \$21 million, and \$25 million directly from the Universal Service Fund in 2008, 2009 respectively, to fund investigations. That is a lot of money. That is a lot of money for -- this is a relatively small agency. I mean, this is not a gigantic agency and those amounts were also exempt from sequestration cuts. So you come out very well in terms of, at least in my view, in terms of dollars.

And unlike the Commission, you are permitted to carry forward these dollars year after year. That is my understanding.

So my first question is, how much money do you have on hand?

Mr. Hunt. Well --

Ms. Eshoo. And how many employees do you have?

Mr. Hunt. We have 39 permanent employees.

Ms. Eshoo. You have 39. And how much cash on hand do you have right now?

Mr. Hunt. Well, first of all I have to correct something.

Ms. Eshoo. Uh-huh, do it fast, because I --

Mr. Hunt. Okay, we have the \$21 million. When I became the acting IG, I turned down the additional \$25 million. I said, we don't

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need it. We can't spend it fast enough and that was -- that money was --

Ms. Eshoo. So from 2008 through 2009 you operated on \$21 million?

Mr. Hunt. No, no, this is in addition to our regular budget.

Ms. Eshoo. I understand. I understand. That is why I am raising it because I think the committee members need to understand this.

But at any rate, so you turned back the 25, you operated on the 21, plus the other dollars that you had to operate on. So -- and you can roll money forward.

That is why I was asking: How much do you have on hand?

Mr. Hunt. I think what we have left is maybe \$5 million.

Ms. Eshoo. Okay.

Mr. Hunt. Most of that way money was spent by the prior --

Ms. Eshoo. Given the recent increases in your funding, even though you turned some back -- I don't know why you did.

You are saying you have a lot of work to do but you turned money back, I don't get that, but that is what you did -- what have you -- can you describe what additional work you have conducted, you know, for example, there has been a spike in criminal prosecutions during that time frame, or immediately following, and what I am really stuck on is where the agency has not done well at all.

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You have your eye on criminal investigations. You keep talking about it. It is like a broken record and, I mean, you feel strongly about it, you know. But I want to dissect that because we have huge agencies that do criminal investigations. The DOJ is very well funded. The FBI is well funded. What is it that you can't partner with them to do that is leaving huge gaps and unaddressed investigations on your part? And as succinct as possible. Why does there have to be duplication in these agencies?

Mr. Hunt. Right, I mean, let me say one thing really briefly so everybody understands.

Ms. Eshoo. I just want you to answer my question because I have other questions.

Mr. Hunt. Okay. Okay. To get FBI agents, DOJ agents, I mean, and Interior agents to help us out is very rare. They have a threshold. They have more people helping us out than before, but we have much more fraud and waste that we can tackle with the 39 people we have.

You are talking about \$20 billion that you are asking 39 people to try to monitor. And oftentimes, we can't get support from the FBI because they simply don't have enough agents out there to help us. So we end up dropping cases worth \$1 million or less because we don't have --

Ms. Eshoo. What are the cases worth, though?

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Mr. Hunt. Pardon?

Ms. Eshoo. What are you cases worth? Are you talking about \$20-, \$40-, \$50 million cases? Are you talking about \$1 million? Are you talking about \$35,000? What kind of dollar value do these cases have?

Mr. Hunt. Of, the cases go -- I mean, we have cases under \$1 million, in which case, DOJ and FBI won't touch them.

Ms. Eshoo. Yeah, and I don't blame them. It is not worth it.

Mr. Hunt. And then we have cases over \$100 million and everything in-between.

Ms. Eshoo. Unfortunately, my time is up. I have a lot of questions and maybe we can have another round.

My point in pressing this with you is not to diminish what needs to be done in terms of investigations, but I think that there are other areas that are really essential for you to be putting the pedal to the metal on. And I mean, for a whole system to crash, an IT system at an agency that is in charge of communications, I mean, what, you know, where are you on that?

So you know, both of you, but that is why I am pressing on this, and I don't know if this is a well-sought avenue for you. I really think that you should be working with the other agencies and not duplicating it and you have got the money too.

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So at any rate, thank you, Mr. Chairman.

Mr. Walden. Mr. Hunt, did you have anything that you wanted to respond to that?

Mr. Hunt. I mean, I appreciate everything that the chair -- the Congresswoman is saying, but --

Ms. Eshoo. Be sincere. No.

Mr. Hunt. No, I don't think -- I really have to disagree. I don't think we are duplicating efforts.

We are trying to get as much help as we possibly can. We go all the time. Sometimes we have to call local law enforcement to go with our agents so our agents don't get hurt in the field. And if we can't get local law enforcement to help us -- we have had guns pulled on us before.

Ms. Eshoo. You know, if there are criminal threats to people in the OIG, we need to know that. We need to know that. I don't know where you are going with this. It is either, you know, what some attorneys would consider, you know, in terms of money, kind of two-bit cases, or are people's lives being threatened? That is a huge range, spectrum, so --

Mr. Walden. I think he was just saying they have had guns pulled on them.

Ms. Eshoo. -- maybe you could answer that to the chairman.

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Mr. Hunt. So much money, like, it is \$20 billion involved here, and we don't have a single criminal investigator to help us look at them.

So we have to -- we do go to other agencies. We go to Interior. We go to FBI. We go to local law enforcement. We go to the Department of Education. We borrow their agents all the time because we don't have any. But they don't have enough to do all of the work that we have to do. We have got much more money, many more cases, than we possibly have the staff to handle right now.

Mr. Walden. All right, Mr. Hunt, thank you.

We are going to go now to the gentlelady from Tennessee, the vice chair of the full committee Ms. Blackburn for 5 minutes.

Mrs. Blackburn. Thank you, Mr. Chairman.

And I want to thank each of you for being here.

Again, Mr. Wilkins, you are basically the chief operating officer, right?

Mr. Wilkins. Yes, ma'am.

Mrs. Blackburn. Okay, well, let me ask you this: We will stay with the same of how you use the resources and the money, the taxpayer's money that you are given to work on.

And Mr. Hunt, I have to tell you, I like the fact that you sent money back and said we don't need all of this. I appreciate that and

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I can guarantee you, my constituents like it when they hear that a Federal agency would send some money back; that they are just not out there willy-nilly spending money because they can. They get tired of that.

Mr. Wilkins, let's talk about this strike force because this is something that caught my attention and to me, it sounds like it is duplicative. So tell me why it would not be duplicative, and why you need a strike force when you have got the IG's office?

Mr. Wilkins. We don't see the strike force as an either/or with the IG. Oversight of Universal Service Funds involve the whole spectrum of issues from direct criminality, to egregious rule violations, to more pedestrian rule violations.

I think that it has always been clear that there is an overlapping mission between the IG's office and the enforcement bureau staff and I think Chairman Wheeler's direction is, he wants the enforcement bureau doing more of its part. Absolutely, we need to coordinate duplication, I completely agree is not what we want. And I actually, what I have heard so far is that since the strike force is just really set up over the last couple of months, it only has three employees, there really has been quite good coordination so far.

Mrs. Blackburn. Okay, would you recommend eliminating the strike force?

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Mr. Wilkins. No, absolutely not.

Mrs. Blackburn. Say you have a tight budget, would you say we can eliminate this?

Mr. Wilkins. Well, most of the funding for the strike force is actually is dependent on our going-forward request.

Mrs. Blackburn. Okay, does Chairman Wheeler have a lack of confidence in the IG's office?

Mr. Wilkins. No. To the contrary, I think that the work the IG has done shows that there is -- I think the Inspector General actually agreed, there is plenty of work to do.

The most important thing is the Universal Service is going through so many changes, we think the challenges are going to grow.

Mrs. Blackburn. Maybe we need to do away with it.

Mr. Hunt, you want to weigh in on the strike force?

Mr. Hunt. I think, you know, what I was just saying earlier, kind of proves my point. There would not be a strike force except for there is so much fraud, waste and abuse out there.

But the strike force is not limited just to enforcement bureau actions. It is not limited to changing rules which is what we can't do. What we are seeing in our office is that the FCC should focus on changing the rules and closing loopholes and then we will do the criminal enforcement part.

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But they have now created this new group which they will not say will not do criminal work, and --

Mrs. Blackburn. So they are using it.

Mr. Hunt. I am sorry, but the Department of Justice has called our office up and they are concerned. They have gotten calls from the strike force.

Mrs. Blackburn. Okay, so, let me be sure we are clear on this. So the strike force is, in essence, usurping your authority and some DOJ authority, and there is a blurring of who is responsible for what? Is that a fair assessment?

Mr. Hunt. That is the way the IG's office feels --

Mrs. Blackburn. Okay.

Mr. Hunt. -- feels the way it is, because in DOJ's concern --

Mrs. Blackburn. Okay.

Mr. Hunt. -- because they are being contacted by the strike force and then calling us and saying, who is in charge here?

Mrs. Blackburn. Okay, that helps.

All right, Mr. Hunt, let's talk about some of the waste, fraud and abuse that is apparent that we all know exists. And that is this Lifeline program, or as it has become commonly known in the last few years, the ObamaPhone program.

Consumers, telecommunication consumers pay for this. And we

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hear complaints about this all the time, and the growth of this program from \$800 million in 2005 up to \$2.2 billion now. And we have seen this program really become a symbol of mismanagement of USF and the FCC as a whole, kind of this picking and choosing what kind of mismanagement you are going to allow.

Now, last year it was discovered that there were over 2 million fraudulent subscribers in this program. So will USF strike force focus on eliminating waste, fraud and abuse from this failed welfare program?

So Mr. Hunt I want to hear from you first, and then Mr. Wilkins.

Mr. Hunt. Well, I have I -- thank you for the question, Congresswoman. I have no control over the strike force so what they do or don't do, I have no idea.

I know we are working on low income. We not only do criminal law, but we do USF. We do every single program within the USF fund. And one of those is low income. And like I said in my opening statement, we have gotten our first criminal convictions. When you get criminal convictions, it helps quell, once people know they can go to jail for things, it helps stem the tide of more crime.

But we have two people, two people in the entire office that are focused solely on low income, and for the numbers you are talking about, you know, we don't have that many people. We are doing what we can with the people that we have.

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Mrs. Blackburn. All right.

Mr. Hunt. And part of the \$21 million we had was spent to help that.

Mrs. Blackburn. Mr. Wilkins, what are you going to do about it?

Mr. Wilkins. The Lifeline example, I think, really demonstrates what the role of the strike force ideally would be.

So the lifeline cases involve exactly that combination of direct criminality on fraudulent operators, but also a lot of rule violations that need to be aggressively enforced. You know, I think that what I have been told for the coordination so far has been good.

My understanding is that there are actually two cases that the strike force, the IG, and the Department of Justice are working on jointly as we speak; that there actually has been good coordination. If that is not true, I will definitely follow up on that.

But Lifeline is the perfect example. It is a transition of that program to mobile communications, new rules, lots of opportunity for fraud, and a joint effort really is important to crackdown on it.

Mrs. Blackburn. All right, yield back.

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RPTS YORK

DCMN HUMKE

[11:20 a.m.]

Mr. Walden. Thank the gentle lady.

We turn now to the gentleman from Ohio, the vice chair of the subcommittee, Mr. Latta, for 5 minutes.

Mr. Latta. Thank you, Mr. Chairman.

And, gentlemen, again, thanks very much for being with us this morning.

Mr. Hunt, if I could start with my questions with you. In your most recent report to Congress, you identified two significant deficiencies related to the FCC's new financial system, which was implemented in October of 2010. According to the report, functionality and integration issues continue to exist, and as a result, certain activity continues to be processed manually in order to maintain the accuracy of the system data.

You also noted that there are security deficiencies in these IT systems. The report notes that these deficiencies have been identified by audits over the course of the last several years.

Would you say it is fair to say that the new system didn't fix the problems that it was intended to correct?

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Mr. Hunt. Congressman, we did have those findings. We believe they are trying to upgrade and fix, but to have, in this day and age, manual entries when so much money has been spent on computer technology and information technology, to have people have to look and hand write items in just does not seem like a fair use of time.

Mr. Latta. If I could follow up with that, then, how much money has been spent if it doesn't sound like it has been corrected?

Mr. Hunt. I would have to look that up for you. I can get that information.

Mr. Latta. If you could get that back to the subcommittee, that would be good.

And in your audits that you have also continually flagged these problems. Is that correct?

Mr. Hunt. Pardon, sir?

Mr. Latta. And with your audits that you have been conducting, you have continually flagged these problems that have been occurring?

Mr. Hunt. There are several audit findings that the FCC agrees with that occur year after year.

Mr. Latta. Could you say when the first year was?

Mr. Hunt. Oh, my goodness.

Mr. Latta. You say year after year.

Mr. Hunt. We are asked every year by Congress to give a list of

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recommendations that haven't been completed or fixed. I could find that list and give you --

Mr. Latta. Yeah. If you could get that to us, we would appreciate it.

And also in one of your more recent reports you indicated the commission was not in compliance with the Federal Manager's Financial Integrity Act because of these deficiencies. Is that correct?

Mr. Hunt. Yes, sir. That is correct.

Mr. Latta. Okay. And your office has also described these significant deficiencies as functionality and integration issues.

How much has this new system cost so far?

Mr. Hunt. Again, Congressman, I would have to look that up for you.

Mr. Latta. Okay.

Mr. Hunt. I don't have the number off the top of my head.

Mr. Latta. And do you remember who the contractor was?

Mr. Hunt. No, sir, I don't. Not off the top of my head.

Mr. Latta. If you could get back to the --

Mr. Hunt. I will get you all that.

Mr. Latta. -- committee on that.

Let me go back to some questions the gentlelady from Tennessee had asked, especially with the Strike Force, you know, because in your

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testimony, on page 11 when you were talking -- you were talking about the Strike Force, you say, "This action was taken with no coordination with either the OIG or the DOJ, and complications abound."

And I know the gentlelady brought up, you know, should we even have the Strike Force? Should it even exist? But in your mind, since there is no coordination and that you don't have any, really, ability to, it sounds like, work within the system, how are you going to fix this?

Mr. Hunt. Yes, sir, the Congresswoman from Tennessee, when she asked the question, Mr. Wilkins said there is coordination between the Strike Force, OIG, and DOJ. That in itself is a problem. There should be the DOJ and the IG office.

The fact that there is coordination between the three supports the very problem that we are running into. DOJ is wondering who is really in charge here. Who is the criminal investigative team. Is it the IG shop or is it the Strike Force?

If the Strike Force wants to focus on enforcement, if they want to focus on changing rules and regulations, we don't object to that. It is when they step over into criminal law there will be -- there has been coordination issues already. And we don't see how that is ever going to end.

Mr. Latta. Okay. And just before you had that in your

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testimony, you also said this. You said, "Further, every time one of my managers has to request permission from the FCC manager to hire someone, our independence is impugned. This ongoing practice gives my office the appearance of a lack of independence from FCC management."

When you say it looks like there is an appearance of a lack, is there a lack of appearance that there is something happening, or don't you have that independence at all?

Mr. Hunt. Let me just give you an example. The Strike Force now contains three people. Those people were hired in a matter of months. Sometimes it takes me 6 months to a year to hire people.

I think it is an appearance of lack of independence if I have to go -- well, let us just say this. I think it is a lack of independence if I have to go and contravene the IG Act by asking HR for permission to hire every single time.

Now, 1811's, they will argue about that, but even for a paralegal, I have to ask permission to hire a paralegal. Now, eventually I will get that permission, and I know that they have rules and regulations, but they play with the PD, the position description, which is something that we have the capability of doing, and by, you know, modifying what the position will do is something else we don't necessarily agree with.

Now, we are working with, you know, the managing director's office. We are trying to resolve these issues, but when they can hire

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people in the Strike Force almost instantaneously and it takes us months and even a year to do the same, I think that answers itself.

Mr. Latta. Thank you very much, Mr. Chairman.

I see my time has expired, and I yield back.

Mr. Walden. The gentleman yields back.

Turn now to the gentleman from Nebraska, Mr. Terry, for questions.

Mr. Terry. I guess I am next since I'm the last.

Mr. Wilkins, somewhat related to the Web site issue, but in 2010 the FCC launched an effort to develop a consolidated licensing system, and it seemed like, frankly, a common sense reform, given that the FCC has six different online databases for licenses.

So, you know, if the issuance of low power FM licenses and several of my constituents have been provided licenses. I would imagine they have had a lot of difficulty if they are trying to find their own license application.

So can you explain what happened to this initiative. Is it still on course? How much money have they spent? What is the timing of completion?

Mr. Wilkins. Yep. So the consolidated licensing system is a great example of the overall IT modernization we are trying to accomplish, and so the fundamental need is how do we create a much more

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cohesive enterprise environment to manage efficiently and then allow all the users -- they do have slightly different needs -- to have those needs filled.

You know, I was not the managing director when the specific project decisions about the CLS project were made, but we see absolutely the same need. Our modernization effort, a much more consolidated and consistent approach to licensing it would be one of our best reasons we think it needs to get done.

Mr. Terry. What is the time expectations that this could -- the CLS would be completed and how much money has been spent on it so far?

Mr. Wilkins. Yes, sir. So the timeline truly depends on our funding. The challenge is if we have the funding to commit to the systematic approach we want to take, our timeline will be about a two-year timeline is what we put in place. If we are doing things piecemeal, the timeline could be quite a bit longer. That is a question we have to make as we assess.

Mr. Terry. Probably the right question is -- or answer is -- I am picking up reading between the lines -- is I don't know, but I will get back to you.

Mr. Wilkins. Well, we could certainly follow up with specific information on the history --

Mr. Terry. I would appreciate that.

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Mr. Wilkins. --on the CLS project.

It is on hold now pending --

Mr. Terry. Okay. Well, that is new information. So it is on hold now.

Now, Mr. Hunt, kind of dovetailing to the Intergovernmental Personnel Act and borrowed employees, of which Mr. Wilkins and the chairman had a discussion, reading some salacious newspaper articles regarding FCC and some of their employees, which is disturbing on so many different levels, first of all, that an employee is watching pornography, but viewing it at work with government taxpayer-owned equipment, but also giving the excuse that they are bored.

If FCC employees have time to engage in that ugly activity, a, why do they exist there anyway? Doesn't that tell us that they have more employees than they need?

Then I want to know is that a criminal act by watching that stuff on government-owned or taxpayer-owned equipment? And what's your inspector general's role in getting rid of that person?

Mr. Hunt. Okay. Thank you, Congressman.

The IT department of the FCC, they screen for images. It is usually through, I think, a hash number. It is a crime to view child pornography. There are hash numbers for those. Normally we go to the department of mail -- mail department because they are the repository

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of that information, but that is a crime. We have a hot line number to the FBI. Whenever child pornography is found, we call the FBI immediately. We screen and if -- it just depends on the severity. If it is child pornography, yes, it is a crime. If it is not, no.

I heard the report also. I think the report was wrong a bit because he said he was watching it 8 hours a day. It was actually 8 hours a week. I know that doesn't help.

Mr. Terry. Yes, that --

Mr. Hunt. But that person was --

Mr. Terry. -- means really sick versus just sick.

Mr. Hunt. Right. But it was referred to the IG office from --

Mr. Terry. Should it have been?

Mr. Hunt. It should have been referred to the IG office, and we got the person to resign before he was terminated. So that person is gone, but it is an ongoing thing to look for any type of pornography on the system.

Mr. Terry. All right. So I will submit a written question since my time is up to you, Mr. Wilkins, regarding if the employees are that bored why do you have that many employees.

Mr. Walden. Thank the gentleman for his questions.

We will turn now to Mr. Long for 5 minutes.

Mr. Long. Thank you, Mr. Chairman.

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And, Mr. Hunt, I want to follow up on that just for a minute. Speaking of this pornography situation, you said that the gentleman resigned before he was terminated.

Mr. Hunt. Yes, sir. Yes, sir.

Mr. Long. What is the difference?

Mr. Hunt. I would have to go to the --

Mr. Long. Well, I mean, does he get his benefits? I mean, you are a lawyer. Does he get his benefits and things that -- is that why he was able to resign instead of be terminated?

Mr. Hunt. I assume he retained his benefits when he resigned, yes, sir. I assume that. I don't know that for a fact, but I can find that out for you.

Mr. Long. Do. I would appreciate if you would find that out and let us know.

Mr. Hunt. Yes, sir.

Mr. Long. Because I don't get that.

Mr. Hunt. Yes, sir.

Mr. Long. I apologize for my voice and my cold today.

For both the witness, over the summer we heard a little bit about the FCC's Web site crashing during the net neutrality comment period, and was the agency able to ensure that all comments submitted were -- all the -- excuse me -- all the comments submitted were

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collected and accounted for or were some of them lost? Mr. Wilkins first.

Mr. Wilkins. Oh, yes. They were -- yes, they were all collected, all accounted for. The actual current number as of today is about 3.7 million total comments filed over that whole proceeding now.

Mr. Long. And you are confident none were lost during the crash --

Mr. Hunt. Yes.

Mr. Long. Okay. And then what is the plan for the agency to ensure that this type of thing doesn't happen again?

Mr. Wilkins. Well, so that is our electronic comment filing system that is part of our external profile. It is different from the Web site. It is actually a 18-year-old system. It was developed in the late 1990s.

The technology that underlie it are sort of long gone from the commercial world. That is a major focus of our IT modernization is that whole system needs to be basically brought into the 21st century, and that is what our IT modernization proposal actually focuses on.

Mr. Long. Okay. Mr. Hunt, do you have any comment on the loss? Well, it was not lost, I guess, but the crash and whether anything was lost and what can be done about it in the future?

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Mr. Hunt. Actually, we haven't had any complaints or comments on that yet. We have heard about it crashing and have the new technology --

Mr. Long. You haven't had any comments about what? I am sorry. I didn't --

Mr. Hunt. No. About the Web site crashing. We get our work from complaints, and the Web site crashing is not anything we have ever been asked to look at yet.

Mr. Long. Okay.

Mr. Hunt. But it is one of many things we are considering looking into.

Mr. Long. And again for both of you, I will start with you, Mr. Wilkins, outside of anything special in your testimony, can you each tell me what Congress can do to help you carry out your duties more effectively other than just providing more money? If you had a wish list, if you had your druthers, what would you rather us do?

Mr. Wilkins. Right. Well, I will say one thing that does come to mind, some of our employees are highly specialized professional staff, but we will lose very talented employees sometimes -- especially to competing federal agencies that can pay slightly higher salaries.

And, of course, that would not be relevant for most of our employees, but we do have a handful of very important employees who

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have been hired away from competing agencies, and it is, you know, still in the Federal Government. They can just pay a lot more, and it is sort of hard for us to retain that kind of talent.

Mr. Long. So that sounds like more money to me. Anything besides more money?

Mr. Wilkins. You know, it almost -- on that issue, I would be fine on a net neutral money basis with the ability to take a given employee who is really important and be able to make sure we are paying a market rate at least in the government to retain that talent. Would actually add a lot separate from whatever the total budget was.

Mr. Long. Okay. Mr. Hunt?

Mr. Hunt. Thank you, Congressman. I just want to apologize. Sometimes I raise my voice too much because I am just very passionate about what we are doing and what my staff is doing. We work very --

Mr. Long. I am hard of hearing. So I appreciate when you raise your voice.

Mr. Hunt. Okay. Okay. Well, good. You are going to hear more of it because the things I mentioned before, letting us hire who we want to hire. If they want a Strike Force, tell us exactly what that Strike Force is going to do.

Are they going to do criminal law? If they are going to do criminal law, how do we work that and how does that jive with the IG

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Act? The IG Act was created to do exactly what the Strike Force apparently is intended to do.

We report to Congress in the same way. We report twice a year and they don't. And I am not saying this would ever, ever happen, but there is potential they could find things that we didn't know about and cover them up. I am not saying it would ever happen, but there is potential there.

So we would like to, A, hire who we want to hire when we want to hire them. Hire 1811s and get more definitive information on the Strike Force or have the Strike Force incorporated within the IG office.

Mr. Long. Okay. Excuse me. Okay. I appreciate that, and thank you both for your testimony.

And I yield back with no time remaining.

Mr. Walden. Well done.

I now turn to the gentleman from California, Mr. Waxman, for 5, minutes.

Mr. Waxman. Thank you very much, Mr. Chairman.

Many questions have been raised concerning Mr. Hunt's allegations about the Universal Service Fund Strike Force, and I would like Mr. Wilkins to respond.

Could you describe the level of coordination between the IG and the Strike Force?

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Mr. Wilkins. So my understanding of this --

Mr. Waxman. Pull the mike a little closer, please.

Mr. Wilkins. So my understanding is that there has been an a, just a regular level of coordination since the Strike Force stood up its first employee, which was just a couple months ago. One of the main areas of activity for the Universal Service Fund, of course, is USAC, the administrative company that runs it.

One of the ways that enforcement issues come from USAC is through whistleblower logs that come in to USAC. My understanding is there has been now an agreement that those logs will be shared between the enforcement bureau and the IG, and that compared to past practice, that is a much higher level of coordination than existed in the past.

Now, it is very important to the chairman that is in fact what is happening, and so if there are issues where our enforcement bureau and staff are not doing that, I actually will go and follow up and make sure that it is happening, but that is my understanding.

Mr. Waxman. Well, how would the delineate the respective responsibilities of the IG and the Strike Force?

Mr. Wilkins. So the IG clearly is the lead on criminal activity that relates to Universal Service. I think what we are seeing, though, especially as the programs change so much is that it is rarely one or the other. Any significant enforcement action very often will involve

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both egregious rule violations and some criminal activity. It is actually one very common thing, for example, that an enforcement bureau may get a matter, find criminal activity, and then refer it to the IG or vice versa. I mean, these are fairly common practices.

We completely agree with the overall idea that as we add this additional enforcement oversight, it has to be closely coordinated to not be duplicative. We want nothing but a good coordinated relationship with the IG where needed, and sometimes it should be independent. Totally agree that there are areas where the IG should -- we should not be involved in anything they are doing.

As the Strike Force hopefully adds some more staff, we will just have to make sure all that coordination happens exactly as the chairman wants it to.

Mr. Waxman. Mr. Hunt's testimony asserts that, quote "FCC management retains a right to approve all OIG hires, a requirement which appears to contravene the IG Act and impugn the independence of the OIG," end quote.

Mr. Wilkins, can you explain the process the FCC uses to pass through all OIG hires to be posted by your human resources office?

Mr. Wilkins. Yeah. Thank you for that question.

It is a passthrough. Whoever the IG wants to hire our HR team will put into the system.

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By the way, it is very different than hiring for other places in the commission. I personally actually involved in human capital planning for other parts of the commission for the IG. Whoever they want to put in there they can.

And, actually, I would almost say that the issue is more about the performance of our HR function. So I agree, a 6-month delay to get the hire done is not acceptable, and that is actually an overall management issue that we want to work on.

So, you know, I think that all we want to do is make sure that when something is posted, we have done our job on the HR side to make sure that whatever the civil service requirements are are complied with. They always are. No question. And, frankly, we could just do a better job processing those requests.

I will say -- I did just do a quick check. So just last week we had one where approval came in about I think 6 minutes was the email chain, and that probably is because we have really been focussing on it lately.

So we absolutely can do better in the performance, but full stop. Whatever the IG -- whoever he wants to hire, we will support it and want to do the best job we can.

Mr. Waxman. In other words, the OIG could decline to use the FCC HR office for hiring and go to another agency as OIG did with

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procurement?

Mr. Wilkins. We would love to try to keep their business, but they absolutely can, and, in fact, we have another situation where our contracting organization earlier this year was really underperforming. We had a huge backlog. The IG's management staff came and said: We are actually thinking about moving to the -- the Interior Department has a shared service center, and I said: You know, based on the performance you are getting, I can't argue with you.

So they actually took that business to the Interior Department. We actually now have a new head of contracting that has made a lot of improvements, and I have told them -- I said, "Keith, try to win back the IG's business." So they certainly could do that, although we, frankly, think we can do an efficient job supporting them, and want to do as good of a job as we can.

Mr. Waxman. Yes, Mr. Hunt. What do you think?

Mr. Hunt. No, I thank you for letting me respond.

First of all, when there is evidence of crime, it is not that you should go to the IG, you have to go to the IG. There is no option there. To say that -- I don't mean to beat up on Mr. Wilkins too much. He hasn't been there that long, but we have had instances where we have tried to hire people, like a paralegal, and HR has come back and say: You can't hire a paralegal because the FCC doesn't have any paralegals,

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which is exactly what we need.

And this yeah, we did take part of our business --

Mr. Waxman. Can't you work this out?

Mr. Hunt. We took part of our business to the Department of Interior for contracting because we would get our contracts -- our work to the managing director's office first. We were first year after year after year, and every single year we would be up until midnight on the last second of the last day to get the work done.

I have had people -- last time I testified here I had people who pulled IVs out of their arm in a hospital to get back to work to get these contracts done. It is --

Mr. Waxman. Mr. Wilkins, what do you say about that?

Mr. Wilkins. Well, obviously I can't speak for past management. I absolutely agree our contracting performance was not up to snuff. We brought in a new head of contracting on -- since he has come in in May, we have reduced our backlog from 300 acquisitions to 50. So we actually think we could do a much better job supporting the IG going forward.

And on the hiring front -- so, again, I can't speak to anything before I was there. Absolutely, if the IG thinks a paralegal serves their mission, there is no reason in the world that we should not be able to support that, or, you know, anything else other than, as the

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IG said, the 1811 criminal investigator is a different civil service law question, but, you know, we are fundamentally there to make sure that the IG can hire who they want to hire to deliver their mission.

Mr. Waxman. Okay.

Thank you, Mr. Chairman.

Mr. Walden. Thank you, Mr. Waxman.

I am sitting here trying to figure out how an agency that can't quite get a Web site to work and has all these issues is going to effectively manage the entire Internet.

We are going to go now to Mr. Shimkus.

Mr. Shimkus. Thank you, Mr. Chairman.

Happy Liberty Day. I just wanted to let you know I was -- left the room. I got accosted by a bunch of -- we used to call them broaching snatchers, little kids who then came to ask me a question about the Constitution. I passed the question. I got this sticker.

Mr. Walden. Congratulations.

Mr. Shimkus. So I am very proud. So I would call it Constitution Day, but they were calling it Liberty Day. So, first of all, I wanted start with that.

Secondly, in the testimony, it does give us an opportunity just to pause, and we do have some very good committed civil service employees in the Federal Government throughout the agencies, and we

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want to make sure we pause and recognize that they are there and they are working hard and sometimes with not a lot of support from, you know, other folks like us sometimes.

So having said that and Congresswoman Eshoo is not here, but we serve and we have been working on 911 issues since I have been here and as a member of the House, and so, Mr. Wilkins, my question really deals with a policy issue that has been resolved policy-wise, and even in -- you know, in the agency it is just implementation of that, then I want to follow up on the question, and so it all deals from the Middle Class Tax Relief and Job Creation Act of 2012 where we required the commission to create the Do Not Call Registry for PSAPs, or public service answering points, to address the automatic dialing problem, which can tie up the safety lines, and safety lines are no good if they are tied up.

The commission released a notice of proposed rule making in May 2012 and an order on October 17th, 2012. I have addressed this a couple times with the commission. Obviously it has not been enacted and we haven't moved forward. So as -- as a new man in charge of getting the you know, the commission to do, actually then implement, I wanted to make you put on record that we are watching and offer you any comments upon this issue if you have got anything to mention?

Mr. Wilkins. Thank you, Congressman. Yes, we are absolutely on

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top of that issue. As you said, the rule making is finished. We have actually done the operational planning. I think, as you may know, that that system sort of originally it is the Federal Trade Commission and they have a contract. We have worked a lot to understand what the most efficient way we can fill the mandate.

So we basically have a plan, five-year plan to fulfill that mandate. It does require funding. In our 2015 requests, we have a \$500,000 line item to essentially launch that project, and then, of course, you know, once you launch that kind of an effort, it does need to be sustained over the duration of the effort.

So we are ready to go and just want to make sure we don't, you know, get over our skis in terms of the resources being there to support it, but we absolutely are ready to go, and I have spent a lot of time looking at it.

Mr. Shimkus. And then from our perspective, that is some of this -- the IG's report on who is spending what and how, then that allows us to say: Well, maybe we haven't spent money well in one area and if we do have a program that is ready to go but is lacking authorization, I guess the question would come what is the internal flexibility to move stuff around inter-commission to get what some of us would consider a priority?

Mr. Wilkins. Right. So certainly to a point we can sort of

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optimize that last bit of the budget. I think the thing that we are cautious about with the PSAP project, it is a multi-year effort that does have, actually, several million dollars' worth of obligation against it eventually, and, you know, I think we have actually looked at the question of well maybe we could find some current funds to start it, but then it starts to become fairly risky from a budget and planning standpoint, because then if there is not follow on funding, you really do start to cut in, you know, pretty deeply to what you have in subsequent years. So --

Mr. Shimkus. Okay. And thank you for that, and let me just finish with this.

Audit revenues are -- some of it is allowed for internal operating processes, and you have to account for those and make sure that they are adequately and appropriately used.

Do you think you have got plans and policies in place to do that?

Mr. Wilkins. For options?

Mr. Shimkus. Right.

Mr. Wilkins. Yes. Absolutely. So we -- I mean, obviously the longstanding issue at the commission, we use cost accounting method. Wherever possible we literally do direct accounting. So an employee has a time sheet ability to say: I spent time on options, and that is you know, that is as direct as you can get.

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For IT costs where there is varying degrees of sharing among IT systems, we actually take a e-system, try to really decide how much of it was for options, and then there is a small bit of overhead where we do use a ratio of time spent, options/not options, to allocate a small amount of overhead, and we have been audited many years on that and had auditors --

Mr. Shimkus. And you do a review. Is that review complete?

Mr. Wilkins. Well, no. So we, you know, we constantly want to make sure that we are treating those allocations correctly, and so, you know, that is just an ongoing effort, and when -- our auditors always ask us to --

Mr. Shimkus. And if we followed up with a question on sharing some of the results --

Mr. Wilkins. Sure. We can do that.

Mr. Shimkus. -- you wouldn't have any problem with that?

Mr. Wilkins. Absolutely.

Mr. Shimkus. All right. Thank you very much.

Mr. Walden. Thank the gentleman for his questions.

We turn now to the gentleman from New Jersey as our last questioner.

Mr. Lance. No questions.

Mr. Walden. And then we are done.

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So thank you very much to our panel. We will have some questions for the record that we will be submitting to you in the due course of time, and I imagine there may be some other members who had conflicting hearings today that might also have questions. We appreciate your response to all of our inquiries, and I know sometimes there are a lot of inquiries, but we are trying to do our oversight job just as you are trying to make the agency run better from every perspective.

[The information follows:]

***** COMMITTEE INSERT *****

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Mr. Walden. So thanks for sharing your thoughts with us, your investigations, and the progress that you are making I commend you for and we look forward to continuing this dialogue.

The subcommittee is adjourned.

[Whereupon, at 11:45 a.m., the subcommittee was adjourned.]